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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday 11 October 1977 CG NIDC 77/236C

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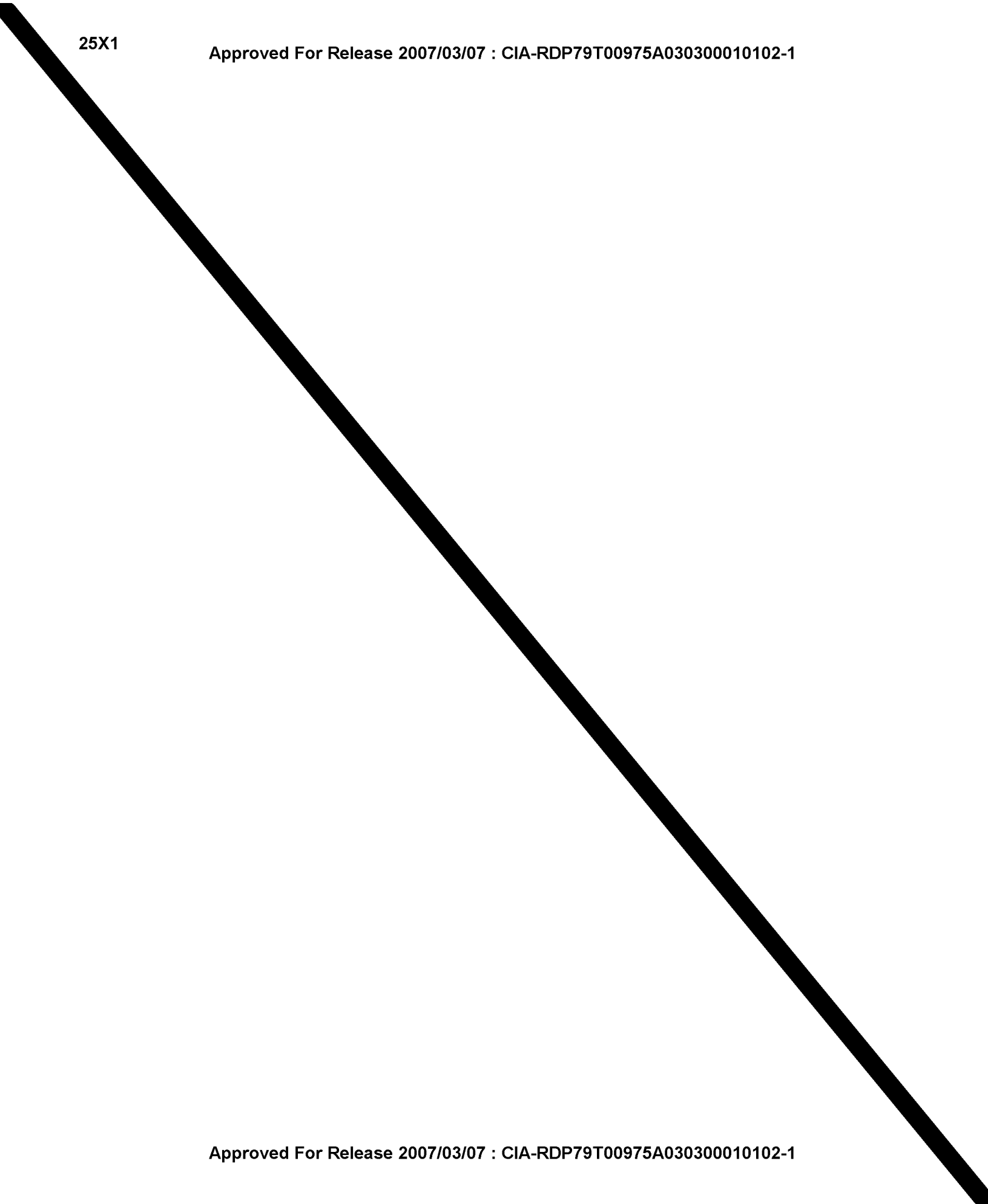
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National Intelligence Daily Cable for 11 October 1977

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The NID Cable is for the purpose of informing senior US officials.

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UK: Conservative Party Debate

25X1 [redacted] *//The British Conservative Party's week-long annual meeting, which begins today, will be highlighted by a major policy debate on trade union issues. Fundamental differences within Tory ranks over this subject have surfaced recently and could threaten the party's prospects in the next election. Party leader Thatcher faces the difficult tasks of maintaining party unity and morale and of reassuring independent voters who fear that a Thatcher government would renew the disruptive government-union confrontations that characterized the closing years of the last Conservative administration.//*

25X1 [redacted] //This year's Tory conference will be Thatcher's first significant leadership test as she tries to reconcile differences between rightwing ideologues and pragmatic politicians on a topic that will be a major issue in the next election campaign. The bitter dispute broke into the open early last month when Sir Keith Joseph, Tory industry spokesman and a close associate of Thatcher, publicly attacked the closed shop as an infringement on individual freedom.//

25X1 [redacted] //Joseph's remarks sparked a wider debate on trade union questions that many observers see as traditional rightwing antiunion views being pitted against the more non-confrontational stance of the party's liberal wing. Some Tories have nursed a grudge against the unions because union power stymied the Heath administration's attempt to impose order on Britain's turbulent industrial relations.//

25X1 [redacted] //The desire to treat union policy as a matter of principle and not a practical issue has been spawned by Thatcher's own forceful reassertion of traditional party values. Her leadership has given rise to rightwing expectations that a Thatcher administration would approach complex labor-management problems in strict accordance with Conservative Party principles. This outlook has been bolstered by the low public regard for trade unions as shown in a recent opinion poll, suggesting that electorally the Tories might be wise to take a hard line on trade union issues.//

25X1 [redacted] //Other Conservatives, led by employment spokesman James Prior, argue that, for better or worse, trade union strength must be recognized and that efforts to induce more

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responsible union behavior must concentrate on conciliation. These Tories believe that a full-blown attack on union power would simply repeat the errors of the Heath government.//

25X1 //Thatcher's attempt to bridge the gap between the advocates of reconciliation and retaliation recently led her to suggest a national referendum if her administration was faced with an all-out conflict with the unions. Thatcher's inadequately defined proposal has received mixed reactions. She will have to give the party conference a better explanation of how and when she would use a referendum or the idea will redound against her.//

25X1 //The Tory leader is probably torn between the two sides in the dispute; her philosophical beliefs and personal feelings are with Joseph and the hard-liners, while her practical politician's instincts are with Prior and the advocates of compromise. Thatcher and a majority of the shadow cabinet appear to be backing Prior's position, but they will have to fight hard at the conference to maintain that stance. Any shift in the present policy would damage the relationship Prior has built up with trade union leaders as well as the party's standing with two key groups of voters:

-- Trade unionists who might punish Labor by voting Tory or abstaining on election day.

-- Independent voters concerned with Thatcher's rightwing inclinations. 25X1 25X1

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VENEZUELA: Dispute Over Oil Compensation

25X1 [redacted] *//Venezuelan officials appear prepared for a long court battle if foreign oil companies refuse a government settlement offer regarding the January 1976 nationalization of the petroleum industry.//*

25X1 [redacted] At dispute is the disposition of the $561 million guaranty fund. The fund was established by the Venezuelan Government in 1971 to ensure that the oil companies continued to

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maintain their facilities before the industry was nationalized. The oil companies were required to pay a share of their profits into the fund.

25X1 Government inspection of the companies' facilities is almost complete. Company representatives believe the inspectors may recommend that the government not return a substantial amount now held in the fund--ranging from approximately 70 percent for the smaller companies such as ARCO to 20 to 25 percent for major oil producers such as Exxon and Shell--because the facilities have not been properly maintained.

25X1 Oil company officials fear that if they refuse to accept the government's assessments, they stand little chance of a fair hearing in a Venezuelan court. Some of the smaller companies are also facing two tax claims totaling almost $975 million; these companies regard the government's position as virtually confiscatory.

25X1 Energy Minister Hernandez, who has dismissed the companies' fears as groundless, denied in a meeting with the US Ambassador that the government is harassing the oil companies. He admitted that disagreements might exist, but asserted that the government's legal position is strong.

25X1 By referring the matter to the courts for settlement, the government may succeed in defusing a potentially explosive political issue. Venezuela would like to avoid a major confrontation both because of the election campaign now under way and because Venezuela needs the technology and services that the former concessionaires are in a position to supply. The Perez administration is also concerned that the imbroglio could harm the rapport between President Perez and President Carter.

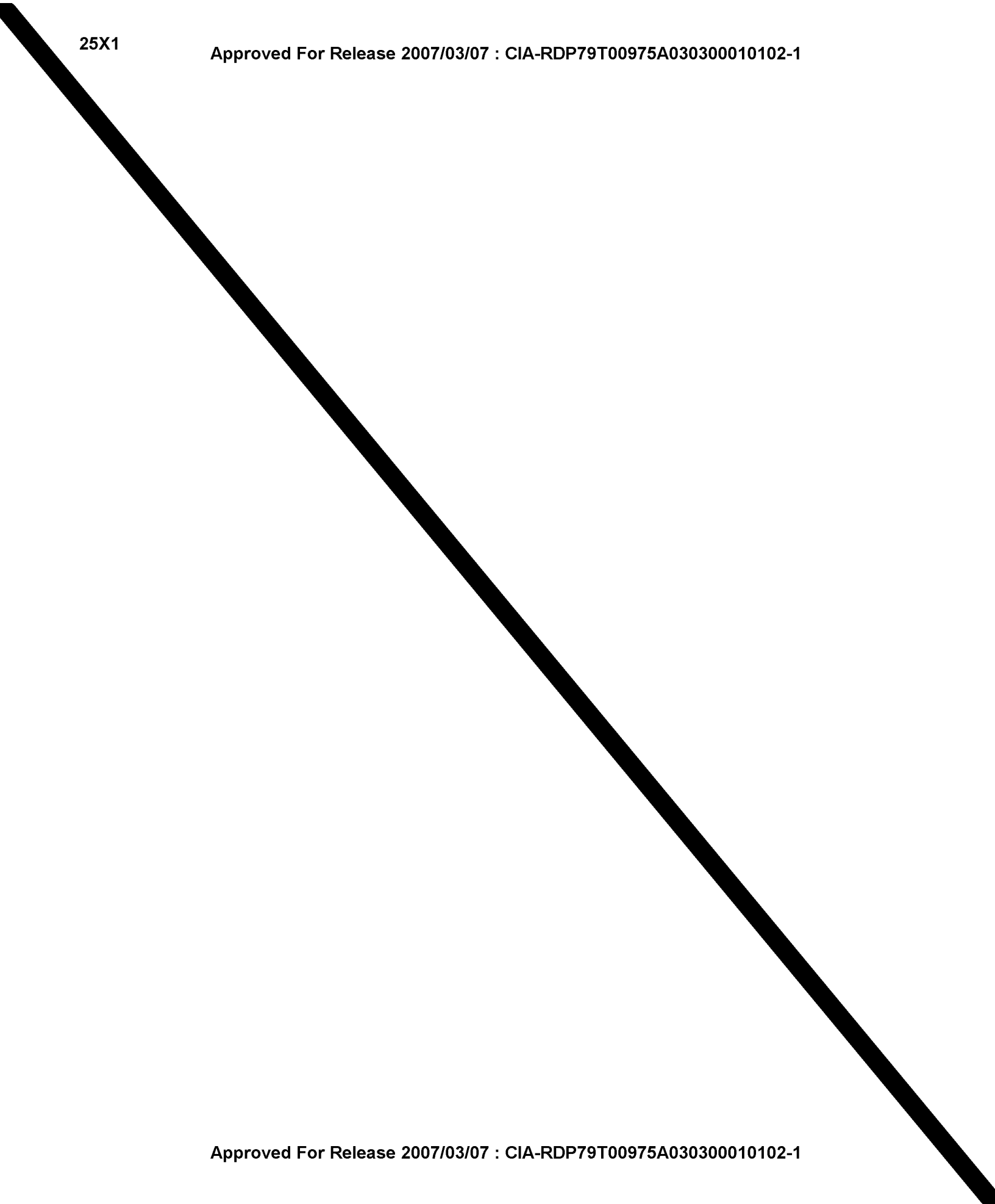
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KENYA: Lining Up Support

25X1 [redacted] *//Kenya is continuing to seek diplomatic and military support from its friends against the possibility Somalia will soon try to fulfill its territorial ambitions in northeast Kenya.//*

25X1 [redacted] Minister of State Koinange, President Kenyatta's closest adviser, told Ambassador Le Melle this week that Kenya needs assurance that the US will deliver military equipment quickly when the need arises. Koinange did not make a specific request for additional arms and apparently did not mention a planned visit to the US by a high-level Kenyan delegation seeking arms. He emphasized Kenya's relative military weakness and the Kenyan view that, unlike its adversaries, it lacks an assured source of military supplies. Other Kenyan officials have made similar statements. 25X1

[redacted]

25X1 [redacted] //Nairobi recognizes that Somalia will be preoccupied with Ethiopia for sometime. Nonetheless, Kenyan concern has probably been intensified by reports of increased recruitment by Somalia of ethnic Somalis in northeast Kenya for eventual use against Kenya, which was troubled by a sporadic

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[redacted]

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Somali supported insurgency in the region in the mid-1960s, has attempted to improve the lot of the 100,000 or so ethnic Somalis in the northeast. It remains concerned, however, about its control over the largely nomadic people and the vast arid area they inhabit.// 25X1

FRANCE: Nuclear Program on Track

25X1 //*France has planned the most ambitious, and the most expensive, nuclear power program in Western Europe. Public opposition to the program is increasingly vocal but is having little impact. All major political parties are convinced that France must pursue the nuclear option. Local government safety and environmental requirements have slowed the process of obtaining new power plant sites, but construction activity has not been halted either by court rulings or by protest demonstrations.*//

25X1 //Public protests against nuclear plant construction have been staged almost exclusively by the so-called ecology movement, supported by a few far-left fringe parties. The movement is composed of about 40 major ecological groups; their causes range from banning defoliants to opposing construction of superhighways.//

25X1 //Despite their diversity, the groups are generally united against France's nuclear power and weapons programs. Their prime target has been the 1,200-megawatt Super-Phenix fast breeder reactor due to be completed in 1983; 20,000 to 30,000 demonstrators clashed with police at the site in late July.//

25X1 //Although the ecologists are emerging as an electoral bloc, their influence is still small and scattered. They apparently draw most of their support from traditional Socialists voters, and the Socialist Party is in the awkward position of trying to court them while supporting the nuclear power program as France's chief route to energy independence.//

25X1 //The Socialists want to halt work on the fast breeder while further studies on safety and safeguards are conducted. Along with the Communists, however, they refused to support the protest over the Super-Phenix, fearing political backlash from the anticipated violence.//

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25X1 Though critical of the lack of public debate on nuclear power, the Communists and their labor supporters agree that the nuclear program should be continued. The Communist-controlled labor confederation continues to stress the need for increased energy supplies in order to boost the standard of living. Most observers believe that Socialist and Communist challenges to the nuclear program are mainly tactical maneuvers designed to appeal to constituents who oppose nuclear power.

25X1 //The government has reaffirmed its intention to proceed rapidly with plant construction despite the antinuclear demonstrations this summer. Although the Council of Ministers has not announced its decision on construction plans for 1978-79--apparently to avoid giving ammunition to the ecologists--a top energy official has said the council will go with the highest option in a range of choices proposed by the government commission on nuclear power.//

25X1 //The construction timetable may be difficult to meet. France has posted a good record on starts in recent years, but completion dates have in many cases slipped by at least a year. The French have begun construction on over 20,000 megawatts of nuclear generating capacity since the big push began following the 1973 oil embargo. Nonetheless, local opposition to several new sites, coupled with the growing cost of nuclear plants, could lead to some postponements.//

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25X1 //Current expansion plans call for nuclear generating capacity to increase from 4,700 megawatts now to between 40,000 and 45,000 megawatts by 1985. Given the likelihood of construction delays and some slippage in new starts, the French probably will complete only about 30,000 megwatts by the mid-1980s.//

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SPAIN: Economic Reform Consensus

25X1 *Spain's Prime Minister Suarez has scored a political victory by achieving a consensus among seven major political parties on economic reform. An official communique was issued Sunday after two days of talks; it came at a time when concern had been mounting over the lethargic state of the government's economic program. Implementation of the program will not take place for 10 days so that the government can sound out business and trade unions.*

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25X1 The announcement outlined the long-awaited formula on how the government plans to cut inflation without losing leftist support for the moderately austere program. Inflation is currently running at 30 percent and wage rate increases are growing even faster; the government now plans to hold price increases to 22 percent next year by limiting wages to the same increase. Money supply growth will be moderated over the next 15 months with credit preferences being given to exports, small- and medium-sized businesses, housing, and agriculture. Government expenditures will be held down.

25X1 The communique outlined several benefits for labor in return for its cooperation in the fight against inflation.

-- Job creation will be a priority of public spending.

-- Sixty percent of social security next year will be used for unemployment benefits.

-- Steps will be taken to contain the rise in prices of basic products.

--Social security funding will be shifted from individuals and firms to the treasury.

25X1 According to press reports, if prices do increase above the 22 percent goal, then the limit on wage increases will be reviewed. This proposal apparently relieved concern in leftist quarters that labor would be asked to carry the burden in reducing inflation.

25X1 The political parties gave a strong vote for fiscal reform already under way. A new tax package that contains proposals for a more progressive tax structure and a more efficient system of tax collection will be presented later this month. Reform of the finance system and modernization of agriculture were also supported by the government and political parties.

25X1 While the consensus will boost Suarez' effort to sell his economic plan, several hurdles still remain. During the next two weeks, trade unions will have to be convinced that the program is good for labor. Even if unions buy the plan--only one out of 13 workers is currently in a union--the apolitical Spanish worker may not.

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25X1 Business, at the same time, fears higher interest rates as a result of the government's program. 25X1
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EAST GERMANY: Youth Disturbance

25X1 *The youth disturbance in East Berlin on Friday night was apparently due to the reaction of drunken youths to the arrival of uniformed police. The regime, embarrassed because the incident took on anti-Soviet and German nationalist overtones, may now seek some scapegoats.*

25X1 The disturbance, which involved an estimated 600 to 1,000 youths, began when the cover of a ventilation shaft at the foot of a television tower collapsed, trapping several youths who were waiting for a pop concert. Police attempts to rescue the youths, anger at the failure of one group of musicians to appear, and the intoxicated condition of some young people combined to cause the melee. When the police began sealing off the area and closing nearby shops, the youths began shouting "Russians Out" and "Germany Awake"--an early Nazi war cry. They were finally dispersed by water cannon.

25X1 The US Embassy in East Berlin reported that the disturbance was quickly contained and had no evident after-effects. Embassy personnel who toured the area Saturday morning saw no signs of unrest, and there were no indications of increased security precautions.

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25X1 The unrest in East Berlin will, however, be especially embarrassing to the regime on several counts. It occurred in the nation's capital during the celebration of its 28th national holiday, included anti-Soviet remarks--to which East Berlin is particularly sensitive--and was observed by Western visitors. Some local party and security personnel will probably be severely reprimanded or even fired, and increased youth indoctrination is almost certainly in store. 25X1

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BRIEFS

USSR

25X1 [redacted] Valentin Turchin, one of the few prominent Soviet dissidents still in Moscow, will leave the USSR with his family next Friday. They will fly to Vienna with exit documents valid for travel to Israel. Turchin, who is not Jewish, has made no secret of his plan to travel to the US as soon as possible to accept a teaching assignment at Columbia University.

25X1 [redacted] During his emigration processing, Turchin reportedly was told by Soviet authorities to leave the country by next Friday or face the prospect of being held in the USSR for at least a year. Turchin was a founder of the illegal Moscow branch of Amnesty International and has been the principal spokesman for the imprisoned leaders of the dissident group monitoring Soviet compliance with the Helsinki agreement. He was detained briefly by the KGB after receiving his exit permits and was questioned regarding the activities of two of the group's leaders, Yury Orlov and Aleksandr Ginzburg. 25X1 [redacted]

France

25X1 [redacted] The Communist - Socialist - Left Radical Alliance is losing support among the voters, according to a public opinion poll released yesterday. The poll shows that 50 percent of the French electorate would vote for leftists if legislative elections were held now. Before the breakdown of negotiations on the Common Program last month, 53 percent favored the Left. The Left needs 52 to 53 percent of the votes to elect a parliamentary majority.

25X1 [redacted] After a two-day party leadership meeting, the Socialists on Sunday sent a letter to the Communists formally proposing reopening the talks on the Common Program "without preconditions." The Socialists indicated they were "developing" proposals rejected by the Communists in the last negotiating session on 22 September. According to the letter, those proposals contain "overtures toward a good agreement," but press accounts suggest that no new ground has been broken.

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25X1 Both parties have been trying to ensure that the other 25X1
bears the onus for the faltering Alliance. Alliance leaders are unlikely to resume publicly their negotiations unless they have agreed in advance on the results.

Peru

25X1 Peru yesterday announced that it would allow the sol to float against the dollar for both commercial and financial transactions. The Central Bank was given the power to intervene in the float to maintain the sol's value at "acceptable" rates, which were not announced. When banks reopen, the sol is likely to drop some 20 to 25 percent from Friday's rate.

25X1 The International Monetary Fund had demanded a devaluation of the sol as a precondition for some $120 million in standby credits and for IMF support in future negotiations with foreign banks to refinance Peru's $5 billion debt.

25X1 The government has also decided to allow Peruvians to open foreign currency accounts in Peruvian banks. With these two moves, it has abandoned seven years of tight currency con- 25X1
trols, which critics asserted had discouraged foreign investment and encouraged illegal flights of capital out of the country.

Nigeria

25X1 The scheduled review of Nigeria's new draft constitution has been postponed until next month because the assembly voted to adjourn in protest over inadequate accommodations provided by the government. Last week Head of State Obasanjo convened a constituent assembly charged with reviewing the draft and adopting a mutually acceptable constitution under the second stage of the military's five part plan to return the country to civilian rule by 1979. He warned against the divisive tribal politicking that undermined Nigeria's postindependence civilian government and urged the assembly to focus on completing its work by October 1978. 25X1

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